

MILLSAP WATER SUPPLY CORPORATION

**Annual Financial Statements
For the Years Ending November 30, 2020 and 2019**

MILLSAP WATER SUPPLY CORPORATION
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November 30, 2020

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MILLSAP WATER SUPPLY CORPORATION
Principal Officials
November 30, 2020

<u>Name</u>	<u>Office</u>
Kenneth Barnes	President
Arnold Garrett	Vice President
Fred Griffin	Secretary/Treasurer
Jason Schrick	Board Member
Joe D. Young	Board Member
David Meals	Board Member
Jamie French	Board Member
Dawne Steen	Bookkeeper/Office Manager
Matt Souders	Operator

FINANCIAL SECTION



SNOW GARRETT WILLIAMS
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Millsap Water Supply Corporation

We have audited the accompanying financial statements of Millsap Water Supply Corporation (a nonprofit organization), which comprise the balance sheets as of November 30, 2020 and 2019, and the related statements of revenue and expenses, net assets and members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Millsap Water Supply Corporation as of November 30, 2020 and 2019, and the changes in net assets, members' equity, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Snow Garrett Williams

Snow Garrett Williams
March 5, 2021

MILLSAP WATER SUPPLY CORPORATION
Balance Sheets
November 30, 2020 and 2019

ASSETS	2020	2019
CURRENT ASSETS		
Cash and cash equivalents	\$ 363,670	\$ 323,288
Accounts receivable	51,142	48,726
Inventory	40,049	31,873
TOTAL CURRENT ASSETS	454,861	403,887
PROPERTY AND EQUIPMENT, AT COST		
Land	15,471	15,471
Easements	5,900	5,900
Buildings	118,285	118,285
Building improvements	101,226	101,226
Construction in progress	7,377	4,727
Water distribution system	1,238,411	1,212,279
Vehicle	34,993	34,993
Equipment	5,282	5,282
Office equipment	12,438	10,938
Total Property and Equipment	1,539,383	1,509,101
Less: Accumulated depreciation	(995,565)	(949,916)
NET PROPERTY AND EQUIPMENT	543,818	559,185
OTHER ASSETS		
Utility deposit	50	50
TOTAL OTHER ASSETS	50	50
TOTAL ASSETS	\$ 998,729	\$ 963,122

The accompanying notes are an integral part of these financial statements.

MILLSAP WATER SUPPLY CORPORATION
Balance Sheets
November 30, 2020 and 2019

LIABILITIES, NET ASSETS AND MEMBERS' EQUITY	2020	2019
CURRENT LIABILITIES		
Accounts payable	\$ 15,635	\$ 17,640
Payroll taxes payable	2,639	2,170
TOTAL CURRENT LIABILITIES	18,274	19,810
NET ASSETS AND MEMBERS' EQUITY		
Without Restrictions:		
Net assets	435,052	410,102
Memberships	130,075	117,882
Donated capital	415,328	415,328
TOTAL NET ASSETS AND MEMBERS' EQUITY	980,455	943,312
TOTAL LIABILITIES, NET ASSETS AND MEMBERS' EQUITY	\$ 998,729	\$ 963,122

MILLSAP WATER SUPPLY CORPORATION
Statements of Revenues and Expenses
For the Years Ended November 30, 2020 and 2019

<u>WITHOUT RESTRICTIONS</u>	2020	2019
REVENUES		
Water revenue	\$ 404,544	\$ 373,472
Connect and installation fees	6,340	2,508
Late payment charges	8,340	12,200
TOTAL REVENUES	419,224	388,180
COST OF GOODS SOLD		
Water purchases	140,713	134,825
Direct labor	50,032	46,521
Contract labor	14,648	14,985
Equipment rental	120	210
Utilities	3,098	2,784
Plant supplies and chemicals	1,551	674
Lab costs	1,391	1,707
TOTAL COST OF GOODS SOLD	211,553	201,706
GROSS PROFIT	207,671	186,474
OPERATING EXPENSES		
Accounting	14,700	15,450
Advertising	405	1,059
Bad debt	3,174	5,046
Building and land rent	684	765
Depreciation	45,648	43,911
Dues and subscriptions	695	658
Fuel	1,384	1,721
Insurance	19,248	18,846
Licenses and fees	1,009	2,977
Miscellaneous expenses	3,121	4,665
Office salaries	45,146	34,200
Office supplies	9,326	6,793
Other taxes	3,407	3,914
Postage	3,531	4,133
Payroll taxes	8,684	7,746
Repairs and maintenance	16,328	9,942
Telephone and utilities (office)	6,981	5,894
Training	1,500	940
TOTAL OPERATING EXPENSES	184,971	168,660
NET OPERATING INCOME	22,700	17,814
OTHER REVENUE		
Interest revenues	634	835
Miscellaneous revenues	1,616	29,612
TOTAL OTHER REVENUE	2,250	30,447
INCREASE IN NET ASSETS	\$ 24,950	\$ 48,261

The accompanying notes are an integral part of these financial statements.

MILLSAP WATER SUPPLY CORPORATION
Statements of Net Assets and Members' Equity
November 30, 2020 and 2019

2020	Without Restrictions			Total
	Net Assets	Memberships	Donated Capital	
Beginning Balance	\$ 410,102	\$ 117,882	\$ 415,328	\$ 943,312
Net Increase (Decrease)	24,950	-	-	24,950
Memberships (Net)	-	12,193	-	12,193
Ending Balance	<u>\$ 435,052</u>	<u>\$ 130,075</u>	<u>\$ 415,328</u>	<u>\$ 980,455</u>

2019	Without Restrictions			Total
	Net Assets	Memberships	Donated Capital	
Beginning Balance	\$ 361,841	\$ 114,933	\$ 399,528	\$ 876,302
Net Increase (Decrease)	48,261	-	-	48,261
Memberships (Net)	-	2,949	15,800	18,749
Ending Balance	<u>\$ 410,102</u>	<u>\$ 117,882</u>	<u>\$ 415,328</u>	<u>\$ 943,312</u>

MILLSAP WATER SUPPLY CORPORATION
Statements of Cash Flows
November 30, 2020 and 2019

	2020	2019
CASH FLOW FROM OPERATING ACTIVITIES		
Increase in Net Assets	\$ 24,950	\$ 48,261
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	45,648	43,911
(Increase) decrease in:		
Accounts receivable	(2,415)	(2,954)
Inventory	(8,176)	787
Increase (decrease) in:		
Accounts payable	(2,005)	4,741
Payroll taxes payable	469	86
Net Cash Provided by Operating Activities	58,471	94,832
CASH FLOW FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(30,282)	(85,574)
Proceeds from disposal of assets	-	558
Net Cash Used in Investing Activities	(30,282)	(85,016)
CASH FLOW FROM FINANCING ACTIVITIES		
Net membership additions	12,193	2,949
Net Cash Provided by Financing Activities	12,193	2,949
NET INCREASE IN CASH	40,382	12,765
Cash and Cash Equivalents		
Beginning of the Year	323,288	310,523
CASH AND CASH EQUIVALENTS		
End of the Year	\$ 363,670	\$ 323,288
SUPPLEMENTAL DATA:		
NON-CASH CAPITAL AND RELATED INVESTING AND FINANCING ACTIVITIES:		
Capital contribution of property and equipment	\$ -	\$ 15,800

The accompanying notes are an integral part of these financial statements.

MILLSAP WATER SUPPLY CORPORATION
Notes to Financial Statements
November 30, 2020 and 2019

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

Organization

The Millsap Water Supply Corporation is a nonprofit organization comprised of the members of the community purchasing a membership. The governing body is a Board of Directors elected at large from the members; officers are elected among the Board Members. The purpose of the Corporation is to provide rural water service to its members at as low a cost as possible.

Financial Statement Presentation

The Corporation prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under this method of accounting, all revenues are recognized when earned and expenses are recognized in the period in which the liabilities are incurred. Expenses are reported in the financial statements according to their natural classification under a single function of operating expenses related to the sale of water. As mentioned above, the Corporation is required to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without restrictions: Net assets that are not subject to restrictions and may be expended for any purpose in performing the primary objectives of the Corporation. These net assets may be used at the discretion of the Corporation's management and the Board of Directors.

Net assets with restrictions: Net assets subject to stipulations imposed by others including contracts, grants, and legal documents such as bond documents. Some restrictions are temporary in nature; those restrictions will be met by actions of the Corporation or by the passage of time. Other restrictions are perpetual in nature, whereby the funds are maintained in perpetuity.

There were no restrictions on the corporations net assets and members' equity for the fiscal years ended November 30, 2020 and 2019.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents includes all unrestricted cash and highly liquid debt instruments purchased with maturities of three months or less.

Inventory

Inventory consists of materials and supplies used for repairs and is recorded at cost, which approximates market, using the last-in, first-out method.

MILLSAP WATER SUPPLY CORPORATION
Notes to Financial Statements
November 30, 2020 and 2019

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment

Property and equipment that have a useful life of greater than one to three years or more, and that are over \$1,000, are stated at cost. Donated property and equipment are recorded at estimated fair value at the date the assets are placed in service. Depreciation expense is calculated on the straight-line basis over the estimated useful lives of the assets.

The estimated useful lives of the major classes of assets are as follows:

Buildings	39 years
Building Improvements	10 years
Water System	20-50 years
Machinery and Equipment	5-10 years
Office Equipment	5-10 years

Maintenance and repairs are charged to expense as incurred. When facilities are retired or disposed of, the cost is removed from the asset accounts and the related depreciation reserve is adjusted with the difference being charged to income.

Bad Debts

The Corporation writes off bad debts to income when determined that an account is uncollectible. It is management's opinion that substantially all receivables at November 30, 2020 and 2019 are collectible. Accordingly, no allowance for bad debts is required.

Income Taxes

The Corporation is qualified as an exempt organization for federal income tax purposes under Internal Revenue Code Section 501(c)(12) and has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Code.

Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more-likely-than-not be sustained upon examination of taxing authorities. The Corporation has analyzed tax positions taken for filing with the Internal Revenue Service. The Corporation believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Corporation's financial condition, results of operations or cash flows. Accordingly, the Corporation has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at November 30, 2020.

The Corporation is subject to routine audits by taxing jurisdictions: however, there are currently no audits for any tax periods in progress. The Corporation believes it is no longer subject to income tax examinations for years prior to November 30, 2016.

MILLSAP WATER SUPPLY CORPORATION
Notes to Financial Statements
November 30, 2020 and 2019

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 - DEPOSITS, SECURITIES, AND INVESTMENTS

The Corporation maintains its cash in bank deposit accounts at high credit quality financial institutions. The balances at the financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The bank accounts, at times, may exceed federally insured limits. On November 30, 2020 and 2019, the Corporation had no uninsured cash balances.

NOTE 3 - AVAILABILITY AND LIQUIDITY

The Corporation's financial assets reported as current assets at November 30, 2020 and 2019 of \$454,861 and \$403,887, respectively, are available to meet the Corporation's general expenses over the next year from the balance sheet date. The Corporation's goal is generally to maintain liquidity and provide timely working funds that are sufficient to cover anticipated expenses over the next twelve months.

MILLSAP WATER SUPPLY CORPORATION
Notes to Financial Statements
November 30, 2020 and 2019

NOTE 4 - CHANGES IN PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

2020				
	Balance 12/1/2019	Additions	Deletions	Balance 11/30/2020
Land	\$ 15,471	\$ -	\$ -	\$ 15,471
Easements	5,900	-	-	5,900
Buildings	118,285	-	-	118,285
Building improvements	101,226	-	-	101,226
Construction in progress	4,727	2,650	-	7,377
Water distribution system	1,212,279	26,132	-	1,238,411
Vehicle	34,993	-	-	34,993
Equipment	5,282	-	-	5,282
Office equipment	10,938	1,500	-	12,438
	<u>\$ 1,509,101</u>	<u>\$ 30,282</u>	<u>\$ -</u>	<u>\$ 1,539,383</u>
2019				
	Balance 12/1/2018	Additions	Deletions	Balance 11/30/2019
Land	\$ 15,471	\$ -	\$ -	\$ 15,471
Easements	5,900	-	-	5,900
Buildings	75,620	42,665	-	118,285
Building improvements	98,785	2,441	-	101,226
Construction in Progress	5,285	-	558	4,727
Water distribution system	1,157,735	54,544	-	1,212,279
Vehicle	34,993	-	-	34,993
Equipment	5,282	-	-	5,282
Office equipment	9,214	1,724	-	10,938
	<u>\$ 1,408,285</u>	<u>\$ 101,374</u>	<u>\$ 558</u>	<u>\$ 1,509,101</u>

MILLSAP WATER SUPPLY CORPORATION
Notes to Financial Statements
November 30, 2020 and 2019

NOTE 5 - RELATED PARTY TRANSACTIONS

The Corporation incurred the following transactions with related parties:

In 2020 and 2019, the Corporation paid \$9,015 and \$36,795, respectively, for construction and repair and maintenance costs to a company owned by a board member.

In 2020 and 2019, the Corporation paid \$508 and \$910, respectively, to a board member for consulting services related to operations.

NOTE 6 - SUBSEQUENT EVENTS

The Corporation has evaluated subsequent events through March 5, 2021, the date the financial statements were available to be issued and noted nothing other than the following:

- In early 2020, an outbreak of coronavirus (COVID-19) emerged and was characterized as a pandemic. Multiple jurisdictions in the United States, including Texas, declared a state of emergency and it is anticipated that the impacts of the virus will continue for some time. There has been no immediate impact on the Corporation's operations. The pandemic resulted in an overall decline in economic activity and may include future impacts on the Corporation. However, the ultimate impact of COVID-19 on the Corporation is not reasonably estimable at this time.

